

Message Text

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ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02

OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01 STR-04 /099 W

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R 300752Z NOV 76

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 5360

INFO AMEMBASSY BANGKOK

AMEMBASSY CANBERRA

AMCONSUL HONG KONG

AMEMBASSY JAKARTA

AMEMBASSY LONDON

AMEMBASSY MANILA

AMEMBASSY SINGAPORE

AMEMBASSY WELLINGTON

C O N F I D E N T I A L KUALA LUMPUR 6878

E.O. 11652: GDS

TAGS: PINS EGEN MY

SUBJ: ARTICLE ON SIME DARBY TAKEOVER ATTEMPT CRITICIZES FINANCE
MINISTER RAZALEIGH

REF: KUALA LUMPUR 6827

1. DEPT'S AND EMBASSIES' ATTENTION IS DIRECTED TO THE ARTICLE BY
ANDREW DAVENPORT THE "BATTLE FOR SIME DARBY" ON PAGE 38 OF THE
"FAR EASTERN ECONOMIC REVIEW" OF DEC 3, 1976. REVIEW, WHICH FEATURES
MALAYSIAN FINANCE MINISTER TENGKU RAZALEIGH HAMZAH'S PHOTOGRAPH ON
ITS COVER, COHCLUDES THAT RAZALEIGH'S DECISION TO ATTEMPT A TAKE-
OVER OF THIS LARGE BRITISH-OWNED FIRM WITH THE ASSISTANCE OF
ROTHCHILDS LONDON MERCHANT BANK HAS "INITIATED A BATTLE NEITHER
SIME DARBY NOR THE MALAYSIAN GOVT CAN WIN. IN THE LONG TERM, THE
COMPANY CAN ONLY OPERATE SUCCESSFULLY IN MALAYSIA WITH THE GOVT'S
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COOPERATION, WHILE TENGKU RAZALEIGH'S PRECIPITOUS DECISION WILL

ONLY DISCOURAGE STILL FURTHER THOSE FOREIGN INVESTORS THAT MALAYSIA SAYS IT WANTS." ARTICLE CONCLUDES BY COMMENTING THAT THE "ONLY PERSON WHO CAN GAIN FROM THE WHOLE ENCOUNTER IS RAZALEIGH... WHO HAS CONSISTENTLY FOLLOWED THE SAME POPULAR POLITICAL CAUSE: MALAY ECONOMIC NATIONALISM."

2. COMMENT: IN CURRENT UMNO POLITICAL INFIGHTING APPEARANCE OF ISSUE CONTAINING THIS ARTICLE WITHOUT CENSORSHIP SIGNIFIES HOME MINISTER TAN SRI GHAZALI SHAFIE'S POLICE SPECIAL BRANCH HAS CHOSEN TO PASS IT. AS NOTED IN PREVIOUS REPORTS, FEER CORRESPONDENT K. DAS' ARTICLES REPORTING CRITICISM OF DEPUTY PRIME MINISTER MAHATHIR AND EXTOLLING GHAZALI'S ROLE IN THE ARREST OF CONFESSED COMMUNIST SAMAD ISMAIL REPORTEDLY OWE MUCH TO THE HOME MINISTER HIMSELF. IF, AS MANY BELIEVE, GHAZ IS ATTEMPTING TO WEAKEN THE MUCH STRONGER MAHATHIR AND RAZALEIGH IN ORDER TO PROMOTE HIS OWN CAMPAIGN TO BECOME DEPUTY PRIME MINISTER, THE CURRENT ARTICLE WILL GO FAR TO ACHIEVE THAT PURPOSE. HOW PRIME MINISTER HUSSEIN VIEWS THIS IS NOT KNOWN, BUT GIVEN HIS PENCHANT FOR WILSONIAN OLYMPIANISM HE ACTUALLY MAY NOT BE AWARE OF IT. RAZALEIGH AND PRIMARY INDUSTRIES MINISTER MUSA HITAM ARE SCHEDULED TO SPEAK TO POTENTIAL INVESTORS IN FRANKFURT (ABOUT DEC 2) AND LONDON (DEC 6). IT WILL BE INTERESTING TO SEE HOW QUESTIONS ON SIME DARBY ARE FIELDDED BY RAZALEIGH.

3. FROM ECONOMIC STANDPOINT, EMBASSY DISAGREES WITH FEER CONCLUSION THAT SIME-PERNAS STRUGGLE LIKELY TO DISCOURAGE FUTURE FOREIGN INVESTMENT IN MALAYSIA. FIGHT IS ESSENTIALLY BETWEEN OLD-LINE BRITISH PLANTATION AND TRADING INTERESTS AND GOM AND SHOULD BE VIEWED WITHIN FRAMEWORK OF NEW ECONOMIC POLICY WHICH FORESEES MALAYSIA CONTROL OF THESE SECTORS BY 1990. IN OUR VIEW, INVESTORS IN OTHER SECTORS UNLIKELY TO BE BOTHERED BY FALLOUT FROM THIS DISPUTE. UNDERHILL

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